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Address for correspondence:
Furkhan Kumthe
Research Scholar,Commerce Coordinator
MIT Group of Institutions, Pune
Email:
furkhankumthe@gmail.com

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Interest Free Micro Finance in India

Furkhan Kumthe[1] Mohammad Shahid Jamal Ansari[2]
[1]Research Scholar,Commerce Coordinator MIT Group of Institutions, Pune
[2]Research Guide, Department of Economics Faculty of Humanities Poona College, Pune

Abstract
The Prophet banned interest interest-based financial system. The financial system of lending money that has spread across globe is interest-based. And this system makes richer richer and the poor to poorest. In Islamic financing, interest-based lending is not permitted and it is one of the major sins. The prophet cursed on four people first the person who lends the money on interest, second the person who takes the money on interest third the person who is witness of the same and fourth one who writes this transaction. Neo Modernist have an opinion that in ancient times (pre-Islamic period) interest-based lending financial system was in practice and that to a great extent. The author rejects this opinion in toto. Another dispute raised by the Neo Modernist is about "Riba and Usury" and "Individual and Institutional Riba". These disputes and debatable issues were completely rejected by the researcher as there are sufficient references from Holy Book and authentic Hadith.

Some estimates indicate that there are about three billion people living in abject poverty making the problem of poverty a global challenge. One of the biggest challenges is, there are near about 600 million Muslims who are living the life of poverty. Microfinancing is becoming more popular now a days. From last two or three decades it is observed that Microfinancing can be one of the significant tools to eradicate poverty. Moreover, it can also be one of the mechanisms to empower women in India. And it can also contribute to develop Economics and Social life of poor. Government of India has launched many of the schemes for rural poor in the context of microfinancing to upgrade skill development, to provide venture capital and many more. Microfinancing will also be helpful in creating more jobs opportunities, financial liberty and to purse higher education.

***Keyword**: Interest Free Micro Finance, Poverty Alleviation, Community Help, Entrepreneurship*

Introduction

Interest Free Micro Finance is now a days emerging and becoming popular. It is now becoming the need of time for people of India to get acquainted with Interest Free Financing System. Interest Free Financing system in not the new concept. It has its origin from past centuries.in past many studies have been undertaken to avail with Interest Free Micro Credit and Finance. The Economic and Finance System which is followed in Most of the Developed and Developing countries makes rich richer and poorer to poorer, due to which there is an unrest between community people regarding financial support and soundness.

At Present Interest Free Micro Finance System not only in practice with only Muslim countries but Non-Muslim Countries are also following and making policies for Interest Free Credit System. The Mechanism as such discovers its place in non-Muslim customers also.

At initial stage, Islamic Micro Finance in few countries commenced with focusing and helping poor only. After succeeding in the objective of helping poor to large extent by Islamic Finance System, The Concept of Grameen Bank was initiated by Mohammad Yunus in Bangladesh in the year 1976. It was a trial-and-error innovative method of credit system. This was a completely an innovative method of loan to the women of rural areas. This system was a group concept. Under this system, emphasize was given on group delivery of credit. Credit was made available to the poorest poor from women for survival and for sustainable financial independency.

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According to the founder of Gramin Bank Mohd. Yunus, He supplemented the way of traditional method of credit by Commercial Bank. According to him bank has male clients which have either property to be mortgaged or any guarantor to be pledged for taking loan on Interest basis. He focused on poor women who were not having any property or any guarantor to be pledged. He started given loan to poor and needy women without any security or any guarantor[6]. He himself was the guarantor. This system of granting loan was interest free with easy recovery in small instalments. The Central Bank of Bangladesh later Facilitated the work done by Md.Yunus . Later the Central Bank of Bangladesh arranged funds from International Fund for Agriculture Development (IFAD). Md Yunus Experiment was proved to the landmark in Micro Lending. According to this experiment, Group collateral was given preference rather than Physical collateral. This experiment has given a direction to poor people to form a group especially who were not having any physical collateral. This mechanism also reached to find out the poor for micro credit lending especially poor women.

Research Method

This research paper is exploratory in nature. It is descriptive and based on case study. It aims at determining the Interest Free Microfinancing system of lending. The available data is gathered from few official reports, research papers, government websites and other sources too.

Purpose of the Study

This paper aims to explore the establishment of proper Interest free Microfinancing at initial level later for better future prospects. This paper also takes efforts on Muslim Community about proper implementation of microfinancing in best possible manner. At last, this paper aims to address the socio and economic impact of Islamic Micro financing on different vulnerable class of the society.

General Problems of Islamic Micro Finance in India

1. Study and trends show that there is lack of Support from Government
2. There are no regulatory bodies to governs the functioning of Islamic Banking and Micro Credit in India
3. There is lack of awareness between people about interest free banking system in India
4. Studies reveals that Islamic Micro Financing is Riskier in terms of lending money and less stable in terms of Stability and Growth.
5. A "scarcity of Shariah-compliant monetary policy instruments" and a lack of understanding of "the monetary transmission mechanism
6. There is lack of Assets backed finance system in India.

Suggestions For Improvement

1. Careful assessment of financial condition of the client
2. Structuring and developing the regulatory bodies for Islamic Banking System
3. Increase in sources of funding
4. Educating the people about Shariah
5. Charging Penalties in delayed payments
6. Development of Assets Backed Financing System
7. Opening a window in Commercial bank for Islamic Banking System

Conclusion

This study demonstrates that the integration of Artificial Intelligence into social media marketing significantly enhances the operational efficiency of IT companies. AI tools—such as chatbots, predictive analytics, sentiment analysis, and content automation—enable organizations to optimize marketing workflows, engage customers more effectively, and achieve higher returns on investment. The results confirm substantial improvements in campaign turnaround time, lead conversion rates, and customer response times, alongside measurable cost savings. Although ethical considerations, algorithmic biases, and talent shortages present ongoing challenges, the overall benefits underscore AI's strategic importance in building competitiveness, scalability, and innovation capacity. For IT firms operating in an increasingly data-driven and competitive environment, AI-enabled social media marketing is not merely a technological upgrade but a necessity for long-term sustainability and market leadership.

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